



**SUDBURY
CONTACT
MINES,
LIMITED**

Annual Report 1978

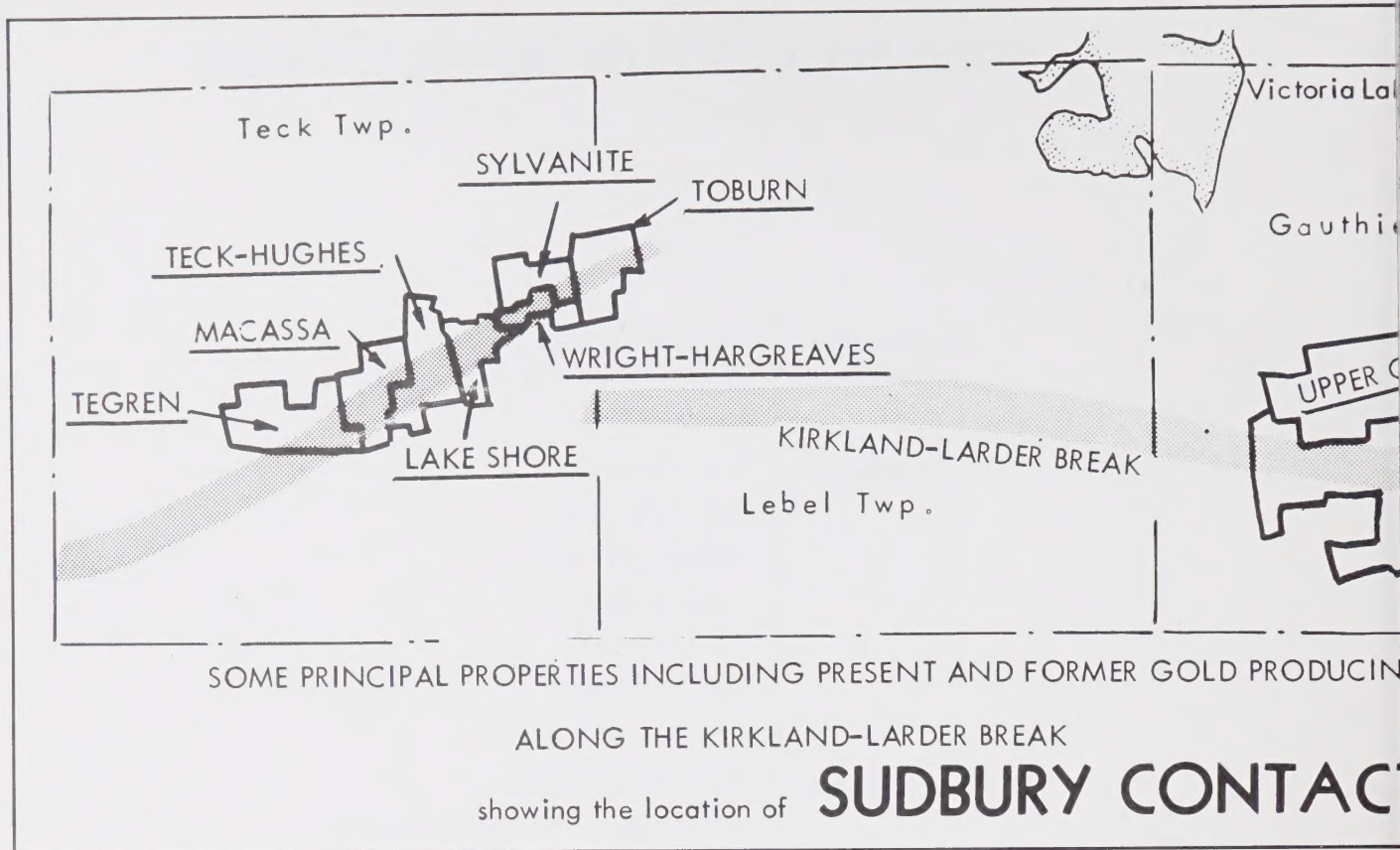


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SUDBURY CONTACT MINES, LIMITED

Executive and Head Office	Suite 300, 365 Bay Street Toronto, Ontario, Canada M5H 2V1
Directors	E. L. BAXTER MAURY DRUTZ MILTON KLYMAN JOHN R. MURRAY PAUL PENNA ERNEST SHERIFF
Officers	PAUL PENNA, <i>President</i> MIKEY DRUTZ, <i>Secretary-Treasurer</i>
Consulting Geologist	W. A. HUBACHECK, B.Sc., P.Eng.
Transfer Agent and Registrar	Guaranty Trust Company of Canada Toronto, Ontario
Auditors	Starkman, Kraft, Rothman, Berger & Grill, Chartered Accountants, Toronto, Ontario
Solicitors	Shibley, Righton & McCutcheon Toronto, Ontario
Shares Listed	Toronto Stock Exchange Toronto, Ontario
Annual Meeting	June 22, 1979, 11:00 a.m. (Toronto Time), Library, Royal York Hotel, 100 Front Street West, Toronto, Canada



Directors' Report to the Shareholders

The Directors present the audited financial statements of the Corporation for the year ended December 31, 1978 and also the following general review of activities during the year and the subsequent period to date.

The positive uptrend in world gold prices, climbing steadily from the 1976 lows just above US\$100 per ounce, scoring successive advances during 1977 in a remarkably strong pattern that saw prices reach above US\$180 per ounce in the first quarter of 1978, resulted in the decision in April to resume exploration on your Corporation's property in the Kirkland-Larder Lake area of Ontario.

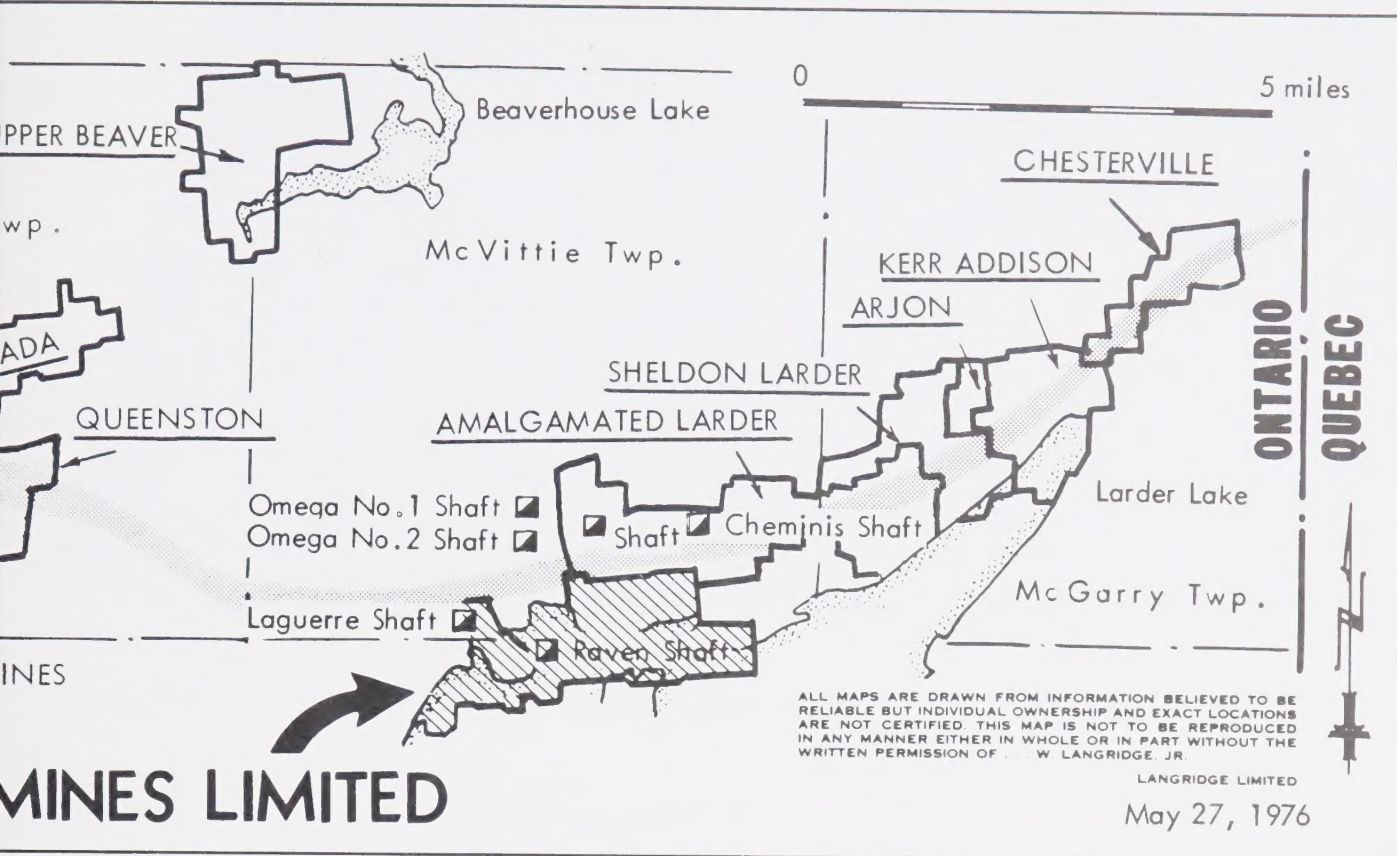
The 51-claim property held by your Corporation under working option covers a number of known gold occurrences, two of which are developed by shafts and underground workings. The earlier work by former owners was carried out at a time when gold was \$35 per ounce. Under the terms of the working option which extends to July 17, 1980, the

option can be extended for a further three years by the cumulative expenditures of \$500,000 on exploration and development work. If production is reached, ownership of the claims will be transferred to the Corporation subject to a 15% royalty payable to the optionor.

It is noted that deferred exploration expenditures on the Kirkland-Larder Lake property to December 31, 1978 totalled \$419,769. In addition, buildings and equipment in connection with this project are carried at a net cost of \$44,916.

Work during the 1975-1976 period, prior to the suspension of exploration in the first half of the latter year, was centered on the Laguerre Gold Mine property on which a shaft was sunk to a depth of 790 feet with four levels established at the 250, 420, 590 and 760 foot horizons by the former owners.

During that phase of the program, the underground workings were dewatered and



the shaft and workings rehabilitated. Diamond drilling was carried out from regularly spaced stations on both the 250-ft. and 760-ft. levels during the period from October of 1975 to March of 1976. A total of 6,580 feet of drilling in 65 short holes was completed.

Work during that period outlined six gold bearing syenite zones in the vicinity of the Laguerre Shaft containing an estimated combined 50,680 tons averaging 0.128 oz/ton gold.

Results from the 1978 Program

Surface diamond drilling on the Kirkland-Larder Lake property during 1978 amounted to 21 holes drilled for a total of 8,614 feet. Eighteen of these holes were drilled to test the Knutson Zone at a distance of 700 feet south of the Laguerre Shaft, for a total of 6,371 feet drilled. Generally, this drilling tested to a maximum depth of about 225 to 250 feet below surface.

Possible ore indicated from the results of

diamond drilling of two adjacent veins (Vein Nos. 1 and 2) in the Knutson Zone amounted to 26,100 tons averaging 0.205 oz/ton across a true width of 8.8 feet.

The drilling was carried out on seven sections 50 feet apart with significant intersections obtained in 14 holes on sections three through to seven. Along the strike of the principal veins to the south, Hole No. 20 intersected 0.27 oz/ton gold across 4.5 feet. This was the last section drilled during the program and the ground to the south is open for possible extension.

A deep hole, amounting to 1,637 feet, was put down to test under the Raven River Shaft workings which bottomed at 670 feet. This hole intersected the gold-bearing syenite at a vertical depth of 1,200 feet and cut low values over a wide width. The best value intersected was 0.085 oz/ton gold across 10 feet. The Raven River Shaft is about 2,500 feet east of the Laguerre Gold Mine property and during

the brief period of operation from December, 1937 to the latter part of 1938, a total of 40,514 tons grading 0.186 oz/ton gold was produced.

The Kirkland-Larder Lake property which consists of 51 claims covering an area in excess of 2,000 acres, extends for a distance of nearly four miles immediately south of the east-west striking Kirkland-Larder Lake Break with which the producing and former producing mines in the area are associated. The property is located about five miles west of the Kerr Addison Gold Mine, the leading gold producer in the area.

Immediately adjacent to the north and east from the Corporation's 51-claim property is the group of claims owned by Amalgamated Larder which was optioned in 1978 by Kerr Addison. The latter has undertaken a deep drilling test in the area around the Cheminis Shaft just to the north of your Corporation's claim group boundary. The initial hole drilled by Kerr Addison during 1978 intersected a gold-bearing zone at a vertical depth of 2,150 feet below the Cheminis Shaft collar averaging 0.20 oz/ton gold over a core length of 22.2 feet. A second hole in early 1979, drilled about 2,500 feet west of the first, was completed to a depth of 2,305 feet but did not intersect significant mineralization. A third hole, about 500 feet east of the first, was last reported nearing its target depth.

Indicative of the interest in the Kirkland-Larder Lake area is the working option agreement between Queenston and Canico (an exploration subsidiary of Inco Limited) whereby the latter has optioned a group of 127 claims in Gauthier and Lebel Twps., covering some six miles of the Kirkland-Larder Lake Break. Cumulative expenditures by Canico since 1976 to the 1978 year end total some \$769,000. Canico is obliged to spend \$1.3 million by December, 1981 to earn its first 40% interest in the properties.

Other Property Interests

In addition to its Kirkland-Larder Lake property, other interests held by Sudbury

Contact include the 35 claim copper property in Montgomery Twp., Ontario where earlier drilling to shallow depth indicated a possible 184,500 tons grading 2.28% copper with an average width of 8.0 feet. The recent resurgence in copper prices, peaking over Can\$1 per pound and substantially above the levels prevailing when work was last carried out on this property, clearly enhances its prospects for further investigation if these prices are sustained. Work during 1970-71 included the drilling of 43 comparatively shallow holes for a total of some 10,700 feet of drilling.

Your Corporation is currently contemplating a joint venture participation in a B.C. gold-silver property which is the subject of negotiations between associated Agnico-Eagle Mines Limited and other mining interests.

Financial

As shown in the accompanying financial statements, working capital deficiency at December 31, 1978 was \$305,316 compared with a deficiency of \$136,888 the previous year end. Negotiations are current with respect to a proposed private placement of treasury shares to provide the Corporation with additional funds. The Corporation's other assets include marketable securities, carried at a cost of \$77,573 but with a year end quoted value of \$444,293. This principally consists of shares of associated Mentor Exploration and Development Co., Limited.

Subsequent to the year end, the holding of 141,800 shares of Mentor was sold to Agnico-Eagle Mines Limited for a total consideration of \$439,580. The proceeds from this transaction were applied against a loan.

On behalf of the Board of Directors,



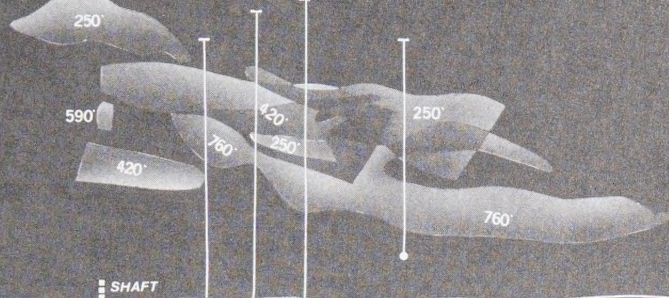
May 28, 1979

President

SURFACE PLAN

GOLD BEARING ZONES

(PROJECTED TO SURFACE)



Trenches

VEIN No. 2

VEIN No. 1

Trenches

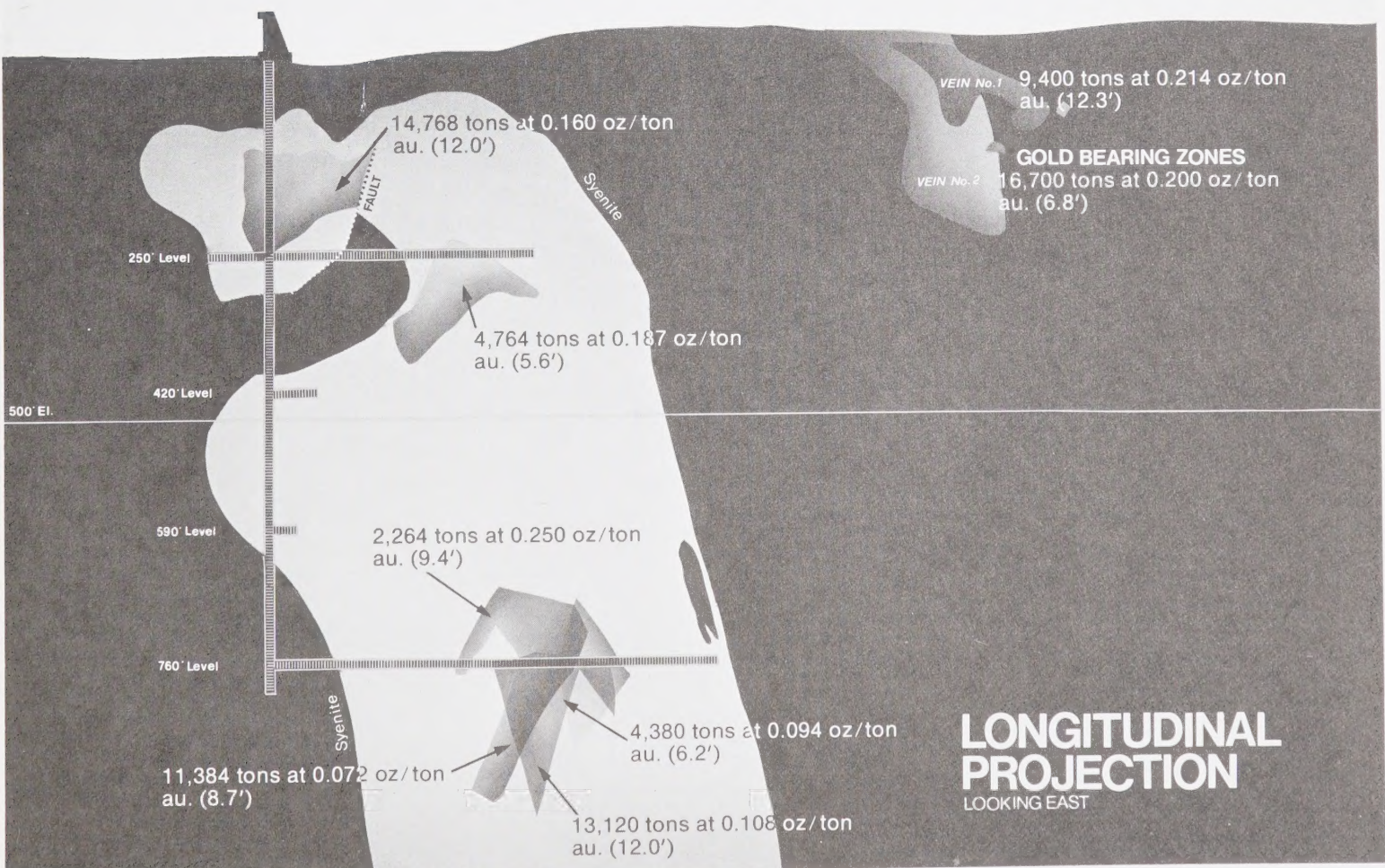
SHAFT

0 100 200 300 400 FEET



SUDBURY CONTACT MINES LTD.

KNUTSON DISCOVERY AREA, LARDER LAKE ONTARIO



LONGITUDINAL PROJECTION

LOOKING EAST

BALANCE SHEET

AS AT DECEMBER 31, 1978

ASSETS

CURRENT

Cash
Marketable securities, at lower of cost or market (market value 1978 — \$444,293; 1977 — \$466,071)
Prepaid expenses and deposits

FIXED, at cost

Equipment
Office furniture

Less: Accumulated depreciation

Larder Lake buildings and equipment

MINING CLAIMS AND PROPERTIES, at cost (Note 2)

DEFERRED EXPLORATION EXPENDITURES

OTHER

Shares of other mining companies, at cost, (no quoted market value)

LIABILITIES

CURRENT

Bank indebtedness
Accounts payable and accrued charges
Loan payable — 10%

SHAREHOLDERS' EQUITY

CAPITAL

AUTHORIZED

9,000,000 Shares without par value

ISSUED

6,586,250 Shares

DEFICIT

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

AUDITORS' REPORT TO THE SHAREHOLDERS OF SUDBURY CONTACT MINES, LIMITED

We have examined the balance sheet of Sudbury Contact Mines, Limited as at December 31, 1978 and the statements of administrative expenses, revenue and deficit, deferred exploration expenditures and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1978 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

STARKMAN, KRAFT, ROTHMAN, BERGER & GRILL
Chartered Accountants

Toronto, Ontario
February 28, 1979

1978	1977
\$ —	\$ 559
77,573	77,573
1,000	—
78,573	78,132
21,268	21,268
1,753	1,753
23,021	23,021
18,086	18,086
4,935	4,935
44,916	44,916
49,851	49,851
20,300	20,300
589,174	477,086
9,602	9,602
\$ 747,500	\$ 634,971

\$ 224	\$ —
59,165	37,020
324,500	178,000
383,889	215,020

2,573,500	2,573,500
(2,209,889)	(2,153,549)
363,611	419,951
\$ 747,500	\$ 634,971

Approved on behalf of the Board:

PAUL PENNA, Director.

MILTON KLYMAN, Director.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF ADMINISTRATIVE EXPENSES, REVENUE AND DEFICIT FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
EXPENSES		
Administration and office services	\$ 9,600	\$ 9,600
Legal and audit	4,329	3,065
Bank charges and interest	22,227	16,449
Shareholders' information	4,995	5,637
Miscellaneous	10,605	11,833
Transfer agent fees	2,534	1,999
Directors' fees	600	900
Licences, taxes and fees	1,450	1,150
	56,340	50,633
DEFICIT, beginning of year	2,153,549	2,102,916
DEFICIT, end of year	<u>\$ 2,209,889</u>	<u>\$ 2,153,549</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
EXPENDITURES DURING YEAR		
Larder Lake Mining Division, Ontario		
Diamond drilling	\$ 90,373	\$ —
Consulting fees	13,006	—
General field expenses	5,230	201
Assaying	3,006	—
	<u>111,615</u>	<u>201</u>
Other Properties		
Licences, fees and taxes	473	555
EXPLORATION EXPENDITURES FOR THE YEAR	112,088	756
DEFERRED EXPLORATION EXPENDITURES — beginning of year	477,086	476,330
DEFERRED EXPLORATION EXPENDITURES — end of year	<u>\$ 589,174</u>	<u>\$ 477,086</u>

SUMMARY OF DEFERRED EXPLORATION EXPENDITURES FOR THE YEAR ENDED DECEMBER 31, 1978

	1978	1977
Larder Lake Mining Division, Ontario (Note 2)	\$ 419,769	\$ 308,154
Montgomery Township, Ontario	168,703	168,300
Thunder Bay Area, Ontario	702	632
	<u>\$ 589,174</u>	<u>\$ 477,086</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED DECEMBER 31, 1978

	<u>1978</u>	<u>1977</u>
APPLICATIONS OF WORKING CAPITAL		
Administrative expenses	\$ 56,340	\$ 50,633
Exploration expenditures	112,088	756
	<u>168,428</u>	<u>51,389</u>
DECREASE IN WORKING CAPITAL	(168,428)	(51,389)
WORKING CAPITAL DEFICIENCY, beginning of year	<u>(136,888)</u>	<u>(85,499)</u>
WORKING CAPITAL DEFICIENCY, end of year	<u>\$ (305,316)</u>	<u>\$ (136,888)</u>

See accompanying notes to financial statements.

SUDBURY CONTACT MINES, LIMITED

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1978

1. ACCOUNTING POLICY

The company follows the policy of deferring exploration expenditures until such time as the properties commence production. Properties determined to be without value are written off to deficit with related deferred exploration thereon. The amounts shown for deferred exploration expenditures represent costs to date less amounts written off and are not intended to reflect present or future values.

2. MINING CLAIMS AND PROPERTIES

The company has acquired a working option on 51 claims in the Larder Lake Mining Division, Ontario to July 17, 1980. If the company spends \$500,000 on exploration and development, the option will be extended for 3 more years. If production is reached, the claims will be transferred to the company subject to a 15% royalty payable to the optionor.

3. OTHER STATUTORY INFORMATION

Remuneration of directors and senior officers for the year ended December 31, 1978 amounted to \$600 (1977—\$900)

SUDBURY CONTACT MINES, LIMITED

Statement of Administrative Expenses *(Prepared Without Audit)*

For the Six Months Ended June 30, 1978

	1978	1977
EXPENSES		
Administration, office and accounting	\$ 4,800	\$ 4,800
Shareholders' information	3,604	3,700
Interest and bank charges	9,237	7,763
Legal and accounting	1,294	734
Miscellaneous	6,557	7,183
Transfer agent fees	1,179	945
Directors' fees	600	900
	<u>27,271</u>	<u>26,025</u>
Less: Sundry income	—	650
NET ADMINISTRATIVE EXPENSE FOR THE PERIOD	<u>\$ 27,271</u>	<u>\$ 25,375</u>

Statement of Changes in Financial Position *(Prepared Without Audit)*

For the Six Months Ended June 30, 1978

	1978	1977
SOURCE OF WORKING CAPITAL ...	<u>\$ Nil</u>	<u>\$ Nil</u>
APPLICATION OF WORKING CAPITAL		
Administrative expenses	27,271	25,375
Exploration expenditures	2,432	551
	<u>29,703</u>	<u>25,926</u>
DECREASE IN WORKING CAPITAL	(29,703)	(25,926)
WORKING CAPITAL DEFICIENCY, beginning of period	<u>(136,886)</u>	<u>(85,497)</u>
WORKING CAPITAL DEFICIENCY, end of period	<u>\$(166,589)</u>	<u>\$(111,423)</u>



SUDBURY CONTACT MINES, LIMITED

SEMI ANNUAL REPORT

FOR THE PERIOD ENDED JUNE 30
1978

SUDBURY CONTACT MINES, LIMITED

Executive and Head Office
Suite 300, 365 Bay Street
Toronto, Ontario M5H 2V1

To the Shareholders:

The Directors present the unaudited comparative financial statements of the Company for the six months ended June 30, 1978.

A program of diamond drilling is currently in progress at the Company's assemblage of gold properties in the Kirkland-Larder Lake area of Ontario. During the period from July 4th to July 25th, 1,956 feet, consisting of six holes, were drilled on three sections some 50 feet apart to check for an extension of gold values to depth under the Knutson showing. The first four holes encountered gold values of minor importance only.

Holes 78-5 and 78-6, drilled on the southerly section, intersected 0.134 oz/ton gold over 10.0 feet and 100 feet vertically below the Knutson showing, and 0.174 oz/ton over 13.0 feet at 175 feet below the Knutson showing, for an average of 0.154 oz/ton across a true width of 10.0 feet.

The Knutson property is located 800 feet south of the Laguerre shaft, where the 1975-1976 program was concentrated, and 1,800 feet west of the Raven River Mine shaft. The Knutson showing was trenched in 1941 by former owners. The showing consists of two north striking forked gold-bearing quartz veins in syenite. Vein No. 1 averaged 0.25 oz/ton gold across 5.9 feet for a length of 80 feet. Vein No. 2 averaged 0.42 oz/ton across 5.4 feet for a length of 160 feet.

At least two further holes will be drilled to test these gold values at depth and along strike to the south. A deep hole is also being drilled to intersect the gold-bearing syenite plug under the Raven River Mine workings at depth. The Raven River Mine, which is developed by a shaft and seven levels to a depth of 700 feet, produced 40,514 tons grading an average of 0.186 oz/ton gold during the brief period of operation in 1937-1938.

Marketable securities held by the Company, carried at a cost of \$77,575, include 141,810 shares of Mentor Exploration and Development Co., Limited which have a current quoted value of close to \$400,000.

On behalf of the Board of Directors,

Paul Penna

August 24, 1978

President

SUDBURY CONTACT MINES, LIMITED

Statement of Deferred Exploration Expenditures

(Prepared Without Audit)

For the Six Months Ended June 30, 1978

	1978	1977
LARDER LAKE MINING DIVISION, ONTARIO		
Consulting	\$ 1,959	—
OTHER PROPERTIES		
Licences, fees and taxes	473	551
	2,432	551
DEFERRED EXPLORATION EXPENDITURES, beginning of period	477,086	476,330
DEFERRED EXPLORATION EXPENDITURES, end of period .	\$ 479,518	\$ 476,881

Summary of Deferred Exploration Expenditures

(Prepared Without Audit)

As at June 30, 1978

	1978	1977
Montgomery Township	\$ 168,703	\$ 168,300
Larder Lake Mining Division	310,113	307,956
Thunder Bay Area	702	625
	\$ 479,518	\$ 476,881